



GOVERNMENT OF MAHARASHTRA  
INDUSTRIES AND LABOUR DEPARTMENT

# REPORT OF THE EXPERT COMMITTEE ON

**Readjustment in the Existing Series of Consumers Price  
Index Numbers for Industrial Workers, Bombay and  
Linking it up with the New Series**

*(Bombay 7th January 1964)*

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CONSUMERS PRICE INDEX NUMBERS FOR  
INDUSTRIAL WORKERS, BOMBAY



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# **REPORT OF THE EXPERT COMMITTEE ON THE CONSUMERS PRICE INDEX NUMBERS FOR INDUSTRIAL WORKERS, BOMBAY**

## **1. Introduction**

1.1. We were appointed a Committee on the 22nd August 1963 to examine the necessity for readjustment in the existing consumers price index series for the City of Bombay, and if there was such a need, to suggest what readjustment should be made and consider the method of linking of the proposed series with the existing series, readjusted if necessary. The preamble of the Government Resolution No. CLN-1163/LAB(I), dated 22nd August 1963 in this respect and the terms of reference are as follows :—

*Resolution.*—“Whereas it has been represented to Government, that the present series of consumers price index numbers for Bombay does not adequately reflect the existing pattern of consumption and variation in prices for the following reasons :—

(1) The price collection in respect of certain items does not take place at all in view of certain items being frozen, such as, certain varieties of cloth.

(2) The price collection is faulty or inadequate and not in line with reality, such as, house rent or selection of shops for purposes of pricing.

(3) Wrong basis has been taken for price collection as in the case of travel to and from the native place.

(4) Certain items of expenditure have practically gone out of existence due to compulsory change effected by law in the item of expenditure such as item on medicine on account of medical benefit under the Employees' State Insurance Scheme.

And whereas it has also been represented to Government that the period of family budget enquiry on which the proposed new series of consumers price index numbers for industrial workers is based is different from the base period for the proposed new series and there has been variation in prices during the two periods.”

“The terms of reference of the Committee should be as follows:—

(1) To examine the validity of the submissions and make recommendations as to whether any readjustment is necessary in the existing series ; and if so, what readjustment should be made.

(2) To consider how the fresh series of consumers price index numbers for Bombay, which Government proposes to introduce, should be linked with the existing series, so readjusted if found necessary, and in so considering, take into consideration the factor that the period of family budget enquiry on which the proposed new series of consumers price index numbers for industrial workers is based is different from the base period for the proposed new series."

1.2. We were asked to submit the report within a period of two months. It took sometime for preliminary preparations. We first met on 28th August 1963, and decided to write to the organisations of employers and the workers asking for written memoranda from them. In view of the importance of the matter the organisations took some time to communicate their views. The first written reply came on 21st September 1963 and the last on 6th November 1963. Some of the organisations desired an opportunity to explain their views to the Committee and some time had necessarily to be spent in this process. The issue of linking needed the release of some further information regarding the proposed new consumers price index series to the organisations which had replied to the Committee. An opportunity had to be given to them to submit their comments in the light of this new information. Many issues were raised before the Committee which required further data collection and verification, and made it difficult to abide by the original time limit. The Committee, therefore, decided to ask for a further extension. The Government agreed to this and the period was extended till the end of December 1963 by Government Resolution No. CLN. 1163/LAB(I), dated the 31st October 1963. As the report could not be finalised for various reasons by the end of December 1963 the Government was further approached by the Committee for an extension of one week.

1.3. The Government has said in its Resolution that if it was not possible to submit the entire report within the time limit of two months, the Committee might at least submit within that period an interim report on the question of readjustment of existing series. It was, however, felt by the Committee that it would be best to consider both the issues simultaneously and that there would be no gaining of time in considering the first issue in isolation.

1.4. For the examination of the various problems presented to the Committee, the Committee had to meet frequently. The Committee met on 10th October 1963, 11th October 1963, 4th November 1963 and 16th November 1963 for hearing the representatives of the employers' and workers' organisations. The Committee also met on 28th August 1963, 5th October 1963,

15th November 1963, 16th November 1963, 29th November 1963, 9th December 1963, 16th December 1963, 29th to 31st December 1963, 1st January 1964 and 4th January 1964 for discussing the problems amongst themselves.

1.5. We must place on record our warm appreciation of the work done by the Secretary to the Committee Shri T. R. Bhagwat, Assistant Commissioner of Labour, Bombay. The issues that the Committee had to decide were highly technical and controversial and the submissions of parties before the Committee were varied and conflicting. The task of co-relating the material, collecting varied information and statistical data from different sources by personal visits and correspondence, of preparing numerous statements and notes required for the deliberation of the Committee and preparing the draft report was exacting especially in view of the short time at the disposal of the Committee but the Secretary performed them promptly and satisfactorily. In this work he was ably helped by Smt. V. G. Joshi, Assistant Commissioner of Labour. On her fell the arduous work involved in going through and collecting data for the use of the Committee. She and Smt. Kolambekar, Superintendent, Labour Office, showed a keen appreciation of the issues involved and helped greatly the work of the Committee with their familiarity with the details. Our thanks are also due to the members of the staff of the Government Labour Office who did for us the statistical and compilation work with great speed and accuracy. We greatly appreciate the promptness and frankness with which the Office of the Commissioner of Labour placed before us all the relevant records connected with the existing and new series and gave clarification wherever necessary. At our request, the Officer-in-Charge of the consumers price index series and the Price Inspectors appeared before us and explained the procedure adopted by them. We acknowledge the great willing assistance rendered by Shri D. G. Kale, Commissioner of Labour, Bombay, in this respect.

1.6. Our thanks are also due to the various organisations of employers and workers who promptly submitted their written statements and supplementary statements and deputed their representatives for giving evidence inspite of the short notices given to them. Without their active co-operation it would not have been possible for us to submit our report within the limited time.

1.7. We also highly appreciate the assistance rendered by various other officers and organisations like the Deputy Textile Controller, the Municipal Corporation, the Housing Board, Office of Superintendent, Crawford Market, Tea Board, Employees' State Insurance Corporation, etc. which promptly supplied the information required by the Committee at the approach of the Secretary of the Committee.

## 2. Historical Back-ground

2.1. The existing consumers price index series for Greater Bombay are based on the results of the second family budget enquiry conducted between September 1932 — June 1933. In the course of the enquiry 1,469 budgets were collected from the then predominant working class localities of Bombay City viz. E, F, and G wards. The enquiry was limited to families, the heads of which were in full time regular employment. Three per cent of the tenements in the selected localities were selected. The weighting diagram drawn up on the basis of the enquiry is given at Appendix I.

2.2. It is an agreed principle that the revision of weighting pattern should be undertaken as often as the consumption pattern shows significant changes. The seventh International Conference of Labour Statisticians has recommended that the major family budget survey should be undertaken at least once in ten years. But for various reasons the weighting pattern for the consumers price index series for Bombay was kept unchanged for over three decades. A working class family budget enquiry was conducted during 1943-44 as a part of Government of India Scheme covering Bombay City along with other 28 important centres but as the year of survey was not considered as a normal year, the results were not used for compiling a new index number. In October 1953, the joint Conference of the Central and State Statisticians recommended that fresh family budget enquiries on a uniform basis should be conducted throughout the country for improving the existing index number series in different States. Such enquiries were undertaken by the Central Government in the year 1958-59 in specially important industrial centres in India, Greater Bombay being one of them. The weighting diagram based on this survey is given at Appendix II. The new index series based on the enquiries are being worked out now by the Labour Bureau, Central Government and we understand that they will be released soon.

2.3. Meantime the question of replacing the existing series was also engaging the attention of the State Government and in December 1958, the Government appointed a Committee under the Chairmanship of Dr. Lakdawala, and with Sarvashri V. M. Dandekar, M. D. Bhat and M. A. Telang as members and Shri R. A. Shaikh as Secretary. The Committee was asked to examine "whether the expenditure pattern of the working class in Bombay City has undergone such a change as to necessitate the introduction of a fresh interim series of consumers price index in place of the existing series and if so to advise how the interim series should be co-related with the existing series." The Committee was also asked to examine "whether, if a fresh series is not

to be introduced, any *ad hoc* changes should be made in respect of the various items of expenditure contained in the existing series of the weights attached to them". On the basis of a rapid family budget survey, the Committee recommended in July 1959 that "there has been a significant change in the expenditure pattern of the working class in Bombay City. It is, therefore, advisable to introduce a fresh interim series of consumers price index number based on the rapid family budget enquiry in place of the existing series based on 1932-33 enquiry". No action was, however, taken by the Government on this recommendation of the Committee. Since, in the opinion of that Committee it was advisable to introduce a fresh interim series only, it did not consider the question of any *ad hoc* changes to be made in the existing series. The existing series, therefore, continued to be worked out on the same old basis. In the month of June 1963, the I.N.T.U.C., the A.I.T.U.C., The Bharatiya Mazdoor Sangh, the Hind Mazdoor Sabha and the Hind Mazdoor Panchayat made representations to the Government pointing out various defects in the existing index series and demanding immediate corrections thereof. They argued that linking the unrevised current series with the proposed new one would mean a lower index number and therefore a lower dearness allowance for the future also". They pressed that before the new series based on the 1958-59 family budget enquiry was introduced, the question of revising defects in the existing series should be tackled first and that the new series should be linked up only with the revised current series. The Committee was appointed in response to this demand.

### 3. Procedure adopted by the Committee

3.1. The Government Resolution referred to earlier had stated that the Committee might hear the central organisations of employers and workmen in deliberating over the terms of reference. Accordingly, 21 organisations of employers and 6 organisations of labour were requested to submit their views to the Committee as regards the need for and the extent of re-adjustment, and the manner in which the existing consumers price index series could be linked with new series. Many parties pointed out that for framing their views on the second point, they should be supplied with more details regarding how the new series was to be framed. The results of the 1958-59 family budget survey and the basic data regarding the proposed new Bombay index have not as yet been published by the Central Government. The Committee had, therefore, to request the Government to supply them with this information, and also to allow them to disclose the necessary data to the parties concerned. The Government agreed to this request and the Committee supplied all the organisations that had given or agreed to give their views, with the information needed for the purpose. Though



21st September 1963 was fixed as the last date for receiving replies, the Committee continued to receive and take into account the representations even submitted latter.

3.2. Inspite of the time extensions, only 5 of the 21 employers' organisations submitted their written memoranda to the Committee. The response was much greater from the side of the labour. Five of the 6 central organisations of labour submitted their statements. All these organisations except the Silk and Art Silk Mills' Association Ltd. (the memorandum of which was received only on 28th November 1963) were given opportunities to plead their cases orally before the Committee. Most of them availed themselves of the opportunity and sent their delegates to explain their respective cases and clarify the various points arising from the memoranda. The names of these organisations and their delegates and the time when they appeared before the Committee are given in Appendix III. The organisations which submitted their views early gave supplementary memoranda to explain their views on the question of linkage. Some organisations viz. the Millowners' Association, the Employers' Federation of India, the I.N.T.U.C., the A.I.T.U.C. and the Hind Mazdoor Panchayat sent further statements by way of clarification and amplification of the issues they had raised with the Committee.

3.3. Some of the objections raised before the Committee were in respect of the procedures followed by the Government Labour Office in the mode and method of collection of prices and substitutions and interpolations made by the Office in several items of consumption. The Committee, therefore, inspected the various records maintained by the Government Labour Office. The Committee also examined the officer and staff in charge of the collection of prices and preparation of index figures to get a detailed idea of the methods of price collection and preparation of the index numbers. The Committee members also visited certain shops and establishments in the Lalbaug and Parel areas to verify the authenticity of the prices quoted by the Labour Office staff in respect of certain items like Khan and ready-made tea. Certain statistical informations were also obtained from various offices and bodies like the Textile Commissioner's Office, Labour Bureau, Office of the Superintendent, Crawford Market, Employees' State Insurance Corporation, Housing Board, Tea Board and Municipal Corporation. It is on the basis of all these that the Committee came to conclusions which are given later.

#### **4. Views of Employers' Organisations**

4.1. As stated earlier, four organisations of employers viz. the Employers' Federation of India, the All India Manufacturers' Organisation, the Indian Merchants' Chamber and the Millowners' Association,

Bombay, submitted their written memoranda. The Silk Mills Association submitted their written statement at a later stage. All these organisations raised almost the same points, and their views were similar. Hence these views have been summarised below collectively. Additional points or marked differences, if any, have been referred to separately.

4.2. The Employers' Federation of India submitted that the primary purpose of constructing a series of consumers price index number was to measure the effect of changes over time in the expenses incurred by a particular group of consumers for maintaining an unchanged consumption level. The present series for Bombay based on the 1932-33 inquiry reflects the consumption pattern of the working class three decades ago and there has undoubtedly been a change by now in the basket of goods and services consumed by it. But according to the Federation, it was not the function of the Index Series to reflect these changes in the pattern of consumption. In view of this position, they felt that it would not be appropriate to make any adjustment of the present series in order to accommodate changes in the level of living or in the pattern of consumption. They offered comments on the various items without prejudice to this contention.

4.3. The Millowners' Association expressed the opinion that in the matter of weightage of collection of prices and of interpolation and substitution, certain mistakes had crept in the index series and these had artificially inflated the series. They felt that these defects should be removed.

4.4. The All India Manufacturers' Organisation stated that recognizing the need for revision of the consumers price index numbers, the Government of India had already conducted a family budget survey in 1958-59 and the new index series based on this are likely to be published soon. According to the organisation, it is important at present to ensure that the new series do not contain any avoidable mistakes and any revision of the old series would only lead to unnecessary complications.

4.5. The Indian Merchants' Chamber admitted that the existing series based on 1932-33 consumption pattern did not represent the current consumption pattern and suggested that the immediate introduction of the new series based on 1958-59 inquiry was the only solution for having a correct series. Any attempt at adjustment to reflect the changes in the consumption pattern in the present series would not, according to them, be conducive to a current appreciation of the present problems.

4.6. All the five organisations of the employers expressed the views that on account of non-revision of the Index series to suit the current consumption pattern and modes of purchase, certain defects have crept in the series

especially in respect of (a) Rice including Patni and (b) Milk. Regarding rice, their contention was that in view of the change in the habits of the working class, wheat and other cereals are being consumed more and as such, the weight attached to rice is excessive. They also stated that as a result of substitution of Rice No. 24 in place of Burma rice in May 1957, there was a sudden rise of 68 points or about 13 per cent. in the index figure for rice in May 1957 over the index for April 1957 and within a further period of 12 months, there was a further increase of 119 points or about 18.8 per cent. over the figure for May 1957. There was, therefore, according to them, an artificial rise because of this interpolation. They also contended that the ratio of 1.3 taken by the Government Labour Office for collecting the prices of Government supplied rice and free market rice was not correct and that the proportion of Government supplied rice consumed by the Industrial workers is much higher now. They also suggested that the item Patni should be abolished as it has gone out of use and its weight should be distributed to other cereals. As regards milk, they felt that the weight given to milk in the series was higher than that warranted by the 1932-33 family budget inquiry. They argued that, at present, a large proportion of milk requirements of the working class was being met by the Government milk distribution shops, which was not being given due consideration in collecting milk prices. Likewise, the cheap grain shops established by the mills for supplying essential commodities to the textile workers were ignored by the price collectors even though nearly 40 per cent. of the textile workers made their purchases from these shops. They also contended that the toned and double toned milk which is being purchased in large quantities by the working class is not taken into account at all in the collection of milk prices by Government Labour Office and this has kept the index of milk artificially high. The employers contended that the weight given to Supari is excessively high and the fantastic rise in the price of Supari has artificially pushed up the index of Miscellaneous Group and in turn the General Index. They, therefore, submitted that the weight of Supari should be divided between Pan and Supari.

4.7. The other submissions of the employers organisations are in respect of house rent, the clothing group, travel to and from native place, and price rise due to taxes. According to them, while the item of house rent needs some correction to take fully into account the rise in the old rent due to increase in house taxes that might have been passed on the tenants, no upward revision of the item on account of the higher rents of new houses is necessary as the extent of occupation of newly constructed tenements by the working class is negligible and cannot affect substantially the index for rent. The employers agreed that it was not fair that prices of certain varieties of cloth should be repeated for years and felt that the index

for clothing group could be corrected by substituting comparable varieties within the same quality range. The Millowners' Association later submitted that because of the various restrictions imposed by Government on the quantity and quality of dhoties and sarees to be manufactured by mills, the imposition of higher excise duties and the spurt in the production of these items by power-loom establishments, the consumers had been showing marked preference for power-loom dhoties and sarees and also handloom products, and such power-loom and hand-loom clothes should figure in the index series. As regards travel to and from native place, the employers were sceptical about the claims of the workers that they travelled more by road transport and steamers than by railways. They expressed the view that even to-day, the railways have a preponderating weightage in the expenditure on travel to and from native place. Another interesting point made out by the employers organisations was in respect of price rise due to indirect taxes. One of the purposes of these indirect taxes is to inhibit consumption. This objective, it was argued, would be defeated if every increase in commodity taxes is reflected in consumers price index numbers, and is compensated by an increase in dearness allowance. They, therefore, submitted that in the preparation of index numbers the tax element of the price should be eliminated.

4.8. The All India Manufacturers' Organisation laid stress on certain additional points. According to them, the weights of different groups in the existing series have become obsolete as is clearly revealed by the 1958-59 survey. They also pointed out that the total of weights apportioned to different groups does not add upto 100 and this has rendered the index figure unrealistic as unpriced items not directly included follow the price trend of the miscellaneous group rather than of the general index number. They have also pointed out that the index figure for fuel and lighting is an over estimate as the weight of 52 given in the index to fire-wood is more than that of kerosene which is 16, whereas according to 1958-59 survey, firewood has only 11.5 weight whereas kerosene has a weight of 42.6. Similarly, the weight for house rent is also excessive. The correct weight should be lower as there is increased tendency towards sub-tenancy and workers' subsidised housing. Regarding medicine, it was the contention of the organisation that the contribution of employers to the Employees' State Insurance Scheme should be reflected in a proportionate reduction in the price indicated for medicine.

4.9. The Indian Merchants' Chamber also felt that since the Employees' State Insurance Scheme provides for medical care and cash benefits to workers and their families, there is need for changing to that extent the weightage of the item medicine.

4.10. As regards the problem of linking the existing series with the new series, the Employers' Federation of India submitted that without a thorough examination of the details of the 1958-59 Family Budget Survey, the weighting diagram drawn up on the basis of the said survey and the qualities of various articles included in the index, it would not be possible for them to make any suggestions. They felt that unless the new series were released to the public and their behaviour was studied for some time, it would not be possible to make any definite suggestion about linking. The Millowners' Association also expressed similar views. The All India Manufacturers' Organisation expressed the view that since the consumers price index figures are utilised for the purpose of calculating dearness allowance, and different industries have different systems of payment for the same, it is advisable to leave it to the concerned industries to adjust their dearness allowance schemes to the new series in consultation with their trade unions. Alternatively, they have suggested that a simple average of the ratio for the years 1960-61 might be taken instead of for 1960 only as such an average is a more dependable linking factor.

## **5. Views of Organisations of Workers**

5.1. As stated before, five workers' organisations appeared before the Committee. The points raised by them as well as their arguments showed some diversities and differences. The submissions have, therefore, been individually summarised below :

### **INDIAN NATIONAL TRADE UNIONS CONGRESS (MAHARASHTRA BRANCH)**

5.2. The Indian National Trade Unions Congress adhered to the "fixed basket" theory for the duration of existing consumers price index series. They had no complaint regarding the failure of the current index series to take into account voluntary changes in the pattern of expenditure, whether due to the change in the real wage, family composition or consumption habits. According to them, such voluntary changes could be considered and taken into account only in the new index series based on the 1958-59 family budget inquiry and it would be unscientific to take them into consideration for correcting or revising the existing series. They, therefore, mainly restricted their demand to covering the defects in the existing series arising out of the wrong, faulty and inadequate price collection on five major items, viz., cloth, rent, ghee, travel to and from native place and medicine. The change in the expenditure on medicine due to the introduction of the Employees' State Insurance Scheme stood on a different basis being a compulsory change and they demanded that the revision should take this change into account on the analogy of treatment of rationed cereals in war-time.

5.3. According to the Indian National Trade Unions Congress, it was wrong to repeat the prices of three items in the clothing group instead of replacing them with equivalent varieties of cloth as soon as they went out of market. The index should be corrected now, by finding out changes in prices of equivalent varieties, or alternatively on the basis of whole-sale price index figure for cloth. As regards rent, they submitted that the present index figure does not even represent fully the rise in the changes for accommodation in pre-war tenements due to increase in statutory taxes which could be legally passed on to the tenants by the land-lords. The increased rent of new tenements which the working class is occupying has not also been taken into account. They have, therefore, submitted that the index for rent should be corrected after holding a sample survey and such surveys should be undertaken every six months in future. According to the Indian National Trade Unions Congress, there is no justification at all for substituting ghee by dalda as ghee has not gone out of market nor has it ceased to be an item of consumption. The latter factor, even if true, cannot be taken into account in the existing series. It was fundamentally wrong to have taken railway fare as a unit for price collection in 1933-34 for the item of travel as even at the time of old budget enquiry, workers travelled by steamer and bus in addition to railways. They have contended that the weight for travelling should be sub-divided among travel by steamer, bus and railway in the ratio of 50 per cent., 30 per cent. and 20 per cent. respectively. As regards medicine, their contention is that the price of the bottle of mixture quoted by the Government Labour Office is very low and it should at least be as high as Rs. 1.25 nPs. More important is the fact that under the Employees' State Insurance Scheme, the workers have to contribute compulsorily to medical and other benefits. The workers also receive cash benefits under the scheme, but the contributions of the employers cover these cash benefits. There are no other appreciable additional benefits received by the employees. The entire, or at any rate, preponderant contribution of the worker to the Employees' State Insurance Scheme should, therefore, be deemed to be expenditure on his medical requirements and should be taken into account in revising the current index. According to the Indian National Trade Unions Congress, the basic idea behind choosing the item of bottle of mixture was that the item selected was common among the working class and the price changes of the same would correctly reflect changes in medical expenditure. The compulsory introduction of the Employees' State Insurance Scheme has entirely upset this expectation. Willy nilly, every factory worker has to spend more on medicine. There is no qualitative change in the medical treatment and even if there be such change, it is negligible and not measurable.

5.4. The Indian National Trade Unions Congress later submitted their estimate of correct index figures based on the above submissions.

According to them, the general consumers price index for June 1963, which was 446 would rise to 497 if properly corrected. There would be an increase of 2 points in the food group, no change in fuel and lighting group and rise of 62, 194 and 195 points respectively in the clothing, house rent and miscellaneous groups.

5.5. As regards the problem of linking the existing series with the new series, the Indian National Trade Unions Congress submitted that the new series are not acceptable to them as the 1958-59 family budget survey on which the series are based was highly defective. Sufficient number of localities were not selected to cover the immensely grown up city of Bombay. The working class has trebled since 1932-33 and even then only 1,432 budgets were collected compared with 1,469 budgets collected in 1932-33. A much bigger sample should have been selected. The result of such a poor and inaccurate sample is bound to be misleading especially in view of the vastly changed composition of labour. They further submitted that it was wrong to have excluded subscriptions, especially trade union subscription, from the items given weights. In addition, the base period of the new series is different from the period of the family budget survey and in view of changes in prices, employments and incomes in the interval, the final weights have been materially affected by the time lapse. The Indian National Trade Unions Congress did not, therefore, accept the logic that the time lag being small, no adjustment for resulting difference in weights is necessary. In view of all these defects which were apparent without any study of the various other details of the new series, the Indian National Trade Unions Congress submitted that the new series are likely to yield misleading results and linking them to the old series is impossible and should not be undertaken.

#### ALL INDIA TRADE UNION CONGRESS (MAHARASHTRA BRANCH)

5.6. According to the All India Trade Union Congress, the present series of index numbers are highly defective on two counts viz. (1) the consumption pattern on which they are based is nearly 30 years old and obsolete and (2) the collection of actual prices month by month is highly defective. They, however, maintain that the first question of change in consumption pattern is really a relevant subject matter for a fresh series based on proper family budget enquiry. They, therefore, mainly restricted themselves to the second count.

5.7. As regards the second count, the All India Trade Union Congress case is mainly based on (1) a monograph on cost of living index numbers in India and (2) a guide to consumer price index numbers—Government of India, Labour Bureau Publications. These publications recognise the

purely-price-changes-measure character of the consumers price index number series, and the necessity of sticking in price collection to the same items of consumption, the same grades, the same varieties, the same shops, the same days and even the same timings, and also the need for insisting on collection of prices actually paid by the consumers. According to the All India Trade Union Congress, these principles are not being followed at all by the Government Labour Office. In this connection, they pointed out that the original specifications and grades of the various items of consumption in the series as shown in the monograph are completely different from the specifications now adopted by the Government Labour Office, thus introducing changes in grades or qualities which is contrary to the cardinal principle governing the index series. They particularly pointed out that in cases of turdal, gram, salt, chillies, tamarind, turmeric, potatoes, charcoal and supari, the grade has been changed from medium to ordinary, in the case of sugar and mutton, there has been degradation of specifications; in the case of raw sugar and wheat, in addition, there have been quality changes and that the substitution of ghee by Dalda is not proper as ghee has not gone out of market. Likewise, in case of fish and ready-made tea, there is apparently a quality change. In respect of ready-made tea, the suggestion of the All India Trade Union Congress is that its weight should be distributed proportionately to milk, sugar and tea powder. As for 'bottle of mixture', it was their contention that there must have been quality and quantity changes. The All India Trade Union Congress, therefore, suggested that the item should be replaced by a suitable patent medicine. They also objected to the repetition of the prices of Patni and some cloth items and submitted that they should be substituted by equivalent items. According to them, there must have been improper substitution in respect of 'khan' and quality changes and substitution in respect of coating and cloth for trousers has been improperly done. They submitted that the increase in rent on account of taxes, high cost of newly constructed tenements and prevalence of 'pagree' system should be taken into consideration and the price of the item should be corrected. According to them, the results of the family budget enquiry 1958-59 could be utilised for this purpose with advantage. In addition, they also suggested a small house-rent survey to bring the data revealed by the survey up-to-date. As for travelling, they stated that they had no objection if the specification for the base year is adhered to. There was also a suggestion to the effect that average price of all popular news-papers should be taken for the item "news-paper".

5.8. In respect of price collection, the All India Trade Union Congress pointed out that prices of cloth items are collected by the Government Labour Office from the Textile Commissioner and those of fish, brinjals and



pumpkins from the records of Superintendent, Crawford Market. Their contention was that this method was not correct as it was contrary to the basic principle of taking actual prices charged to the consumers. The All India Trade Union Congress felt that the Committee should go into the details of the compilation of the index figures from the collection of price data to the averaging out and calculating the final figures and correct the figures wherever necessary.

5.9. The All India Trade Union Congress also later submitted their estimate of correct index figures for June 1963. According to them if properly corrected, there would be rise of 71 points in Food group, 333 points in the clothing group, 196 points in house rent group and 97 points in miscellaneous group and the official general index for June 1963 would rise from 446 to 550 i.e. by 104 points.

5.10. As regards the problem of linking the existing series with the new series, the All India Trade Union Congress submitted that unless all materials including those on the method, manner and results of the new family budget survey upon which the new series are based are made available to them, it would not be possible for them to make any suggestions. They further submitted that the issue of linking should be finally considered only after the existing series are properly adjusted.

#### HIND MAZDOOR SABHA (MAHARASHTRA STATE COUNCIL)

5.11. The Hind Mazdoor Sabha submitted that the consumers price index being a ratio of the costs of a particular commodity-basket at two different points of time, if the contents of this basket are continuously modified to suit the actual consumption pattern, the index series will not remain meaningful. The need for keeping the commodity-basket unchanged as far as possible and the need to prevent the index from becoming altogether unreal can be reconciled, according to them by adopting the principle that all voluntary changes in the commodity-basket may be ignored but all involuntary changes during the tenure of a particular series may be taken into consideration.

5.12. On the above principles, the Hind Mazdoor Sabha submitted that substitution of Dalda for Ghee was not proper as any shift to consumption of Dalda on the ground that the price of the ghee was high would be a voluntary change. On the other hand, repetition of the prices of three items of cloth on the ground that these items with particular specifications are out of market is not correct as these are cases of involuntary changes. The Hind Mazdoor Sabha, therefore, suggested that these items of cloth should be substituted by equivalent varieties. As regards house rent, they

were of opinion that the present actual rents should be taken into consideration for the purpose of index. Travelling within the city is an involuntary change on account of the growth of the city and its industries and as such, it should be taken into account in the item "travelling to and from native place" after suitably renaming the item. The Employees' State Insurance Scheme has introduced involuntary change in medical treatment and hence contributions to it must be taken into account in the item "medicine". The Hind Mazdoor Sabha further suggested that the travel to and from native place is not entirely done by railway alone but workers use road transport also and hence prices of road transport and railway transport should be taken in the ratio 2:1. In the alternative the relative weights should be based on the findings of the 1958-59 family budget inquiry.

5.13. As regards the linking of the existing series with the new series, the Hind Mazdoor Sabha suggested that the proper method would be to compare the corrected index numbers in the current series with these new series for each month of January 1960 — December, 1962, and to find out the correct multiplying factor.

5.14. While expressing the opinion that it would have been much better if the base of the new series could have been the same period as that during which the fresh family budget survey was conducted, the Hind Mazdoor Sabha felt that the discrepancy introduced into the new series due to the small time lapse was not very serious; the pattern of consumption as a whole, was unlikely to have changed very materially during the period. It pointed out that if this assumption was not true, the very construction of consumers price index series would be devoid of sense.

#### BHARATIYA MAZDOOR SANGH (BOMBAY BRANCH)

5.15. The Sangh was highly critical of the family budget survey conducted in 1932-33 and the weighting diagram drawn upon the basis of that survey. According to them, several items such as durable goods owned, interest paid on account of loans, occasional expenditure on festivals and marriages, contributions to provident fund, etc., were not taken into account at all in the family budget survey and the weighting diagram based thereon had become unrealistic. The weights assigned to the various groups too are unrealistic. According to them, the miscellaneous group should have been assigned more weight. Even the distribution of weights within the groups to the various items making up the group is not proper. Besides, the items chosen are not fully representative of the consumption pattern. According to them, the weightage structure of the existing series is completely out of date and needs complete reorientation on the basis of the results of a fresh scientific enquiry.

5.16. The next contention of the Sangh is that the price quotations of the Government Labour Office are highly defective. The substitution of ghee by Dalda does not appear to have been done on a scientific basis. The prices of rice varieties quoted do not appear to be reliable. The prices of several articles like fish, bumbrows, chillies and tamarind are pegged several times to old prices. There is no reason why the prices of certain items of cloth should be repeated for years instead of substituting them by equivalent varieties. In the absence of proper specifications, the prices quoted for sarees appear to be incorrect. The house rent does not take into consideration even the rise due to statutory levies. The Sangh submitted that correct rent data of tenements should be collected by frequent enquiries. The price of medicine quoted by Government Labour Office is rather low. As regards travelling, the omission of steamer-travelling has rendered the index for the same very unrealistic.

5.17. Regarding the ruling prices that were taken into consideration for working out the index figures, the Sangh submitted that these prices in respect of articles like rice, wheat, other cereals, pulse, kerosene, tea-powder, ready-made tea, milk, etc., are low in comparison to the prices collected by the Sangh from certain co-operative shops and other shops. According to them, this, in addition to the repetition of the old prices in cases of several items, has kept the index figures artificially low.

5.18. The Sangh submitted that a vigilance on price collection machinery should be maintained by the collection of price-paid data from panel samples of wage-earners for a mixed market basket of commodities and services, that labour should be associated at the levels in the calculation of index figures and the comments of Central Labour Organisations should be published along with official results.

5.19. As regards the linking of the existing series with the new series, the Sangh submitted that after correction, the old series should be allowed to run concurrently with the new one for one year at least. If there was a sufficiently strong coefficient of correlation between the two series viz.  $\pm 0.95$  or above and also between the group indices, the least square method should be used to get the best fit and the linkage factor could be based on it. If the relationship were more complex, other methods could be used. In any case, the linking must be between indices based on the analysis of families with the same real income. If these conditions of comparison were not satisfied, a tentative new index should be constructed, but the linkage factor should be decided afterwards.

#### HIND MAZDOOR PANCHAYAT

5.20. According to the Panchayat, the weightage given to food is disproportionately low. It should be at least 60 per cent. The cloth and rent

prices which are being repeated need correction in a manner that takes into account the present position. There is also a necessity of including in the miscellaneous group several items such as educational expenses, travelling to and from the work place, cooking utensils, etc. They also felt that the family budget enquiry for determining the weights should be confined to the class of workers getting below Rs. 120 per month since that class now comprises 80 per cent. of labour in the city of Bombay. They further submitted that there should be a statutory committee with a labour representative on it to check the compilation of index numbers.

5.21. The Panchayat submitted a report on a sample enquiry conducted by them for verifying the prices paid by the working class for various items of consumption that figure in the index series. According to them, this enquiry showed a wide variation from the prices quoted by the Government Labour Office in several items. They also carried out a sample house rent survey and according to this survey, the average rent for a working class tenement worked out to be Rs. 20·10 nP. Their submission is that for the computation of the consumer price index number, the rent for housing of the standard laid down by the Industrial Housing Sub-Committee, which is Rs. 40 should be allowed. As regards travelling to and from native place, they stated that average expenditure was Rs. 2 per month consisting of railway and bus fares. They suggested that the average of these two fares should be taken for arriving at the price relative for 1933-34 series.

5.22. As regards the problem of linking the existing series with the new series, the Panchayat did not agree with the weight assigned to house rent in the new series. They submitted that in view of the fact that the average rent of working class according to their survey, worked out to be Rs. 20·10, the weight for house rent in the new series should be increased from 4·6 to 14 and consequent changes might be made in the miscellaneous group. They also wanted to be supplied with the quality and quantity of each of the items consumed as per the new family budget enquiry and the units of pricing so as to enable them to check the validity of consumption data and the reliability of price collection. They objected to the inclusion of a large number of items for which price series are not available as they create a problem of proper imputation. They also objected to the scope and method of working out the index figures for fruits and vegetables which are seasonal items as the group is subjected to variations of both prices and weight and hence would affect the General Index. According to the Panchayat, therefore, the new series were also defective.

5.23. For the purpose of linking, the Panchayat suggested the simple arithmetical calculation based on the rule of three. To have further accuracy instead of taking the final index, they suggested that the

comparison of each group index might be made separately on the basis of rule of three and the final index be computed by Laspeyre's principle.

## 6. Issues Examined and Conclusions

6.1. *Fixed Basket Theory.*—The first question that the Committee had to consider was whether the changes that had taken place in the 1932-33 pattern of living, which formed the basis of the current consumers price index number, should be taken into account for the purpose of computing the revised index number. There is no doubt that the pattern of spending of the working class has significantly changed in the long time span of nearly three decades that has elapsed. The results of 1958-59 family budget enquiry (*vide* Appendix II) reveal that in the major expenditure groups, the importance of food has increased and that of housing has substantially gone down. Fuel and lighting has relatively lost some importance and the miscellaneous group has gained ground. Not all these changes can be conceived to have arisen out of relative price shifts. Among the cereal items, Patni has disappeared from the dietary, Jawar has gained and Bajra lost ground. Dalda has partially replaced ghee. The clothing habits show wide changes; "Khans" and coating have practically disappeared and new items like bush-shirt have appeared on the scene. In the fuel group, electricity has come as a new item and the expenditure on firewood has decreased. The miscellaneous group shows large changes. Some of these changes were noticed even in the 1942-43 enquiry (*vide* Appendix IV), and are only to be expected. In fact, these changes furnish the 'raison detre' for the widespread demand for a new index based on the current pattern of living. In spite of this, the parties pleaded before the Committee for the retention of the 1932-33 basket for the purpose of the correction of the current series in so far as it was necessary, until fresh index based on the current pattern of living could be compiled. The Committee felt after careful consideration that the revision of the existing series for periods prior to 1960 on the basis 1958-59 basket had to be ruled out. There were a large number of new items entering into the 1958-59 budget of the working class and the varieties fixed for the compilation of the new index were widely different from those fixed for the current index. Of the 47 and 119 items chosen for price collection in the current and new price indices respectively, only 8 are common. They accounted for 17 and 6 per cent respectively of the family budgets. Many parties which had sent written memoranda, even when sticking to the fixed basket in general, demanded revision in the weight of one item or another. The Committee, however, did not consider it appropriate to take into account the changes in consumption pattern in respect of only a few items as that would have disturbed the weights of other items. We have, therefore, stuck to the

fixed basket upto 1960 as far as possible. This has helped us to quickly dispose of a few points urged before us like changes in the importance of wheat, bajra, jawar, firewood, kerosene, toned milk, travel within the city, etc.

6.2. The adoption of the "fixed basket" rule did not solve all the difficulties. There were a number of factors other than the change in consumption pattern which were alleged to render the current series defective. These defects can be broadly classified as under :—

(1) Repetition of prices over a long period; main items under this group being (i) Patni, (ii) clothing articles and (iii) house rent.

(2) Failure of the compilers to take into account the quality changes like ready-made tea.

(3) Non-representative character of some of the items being priced : such as (i) medicine, (ii) travel and (iii) Pan-Supari.

(4) Substitution of items from time to time such as (i) rice, (ii) wheat and (iii) ghee.

These problems have been considered by us in details hereinafter.

6.3. *Patni*.—From February, 1960 very few price quotations were available for Patni and, therefore, its price index was repeated from that month to April 1963 when it again became available. The practical disappearance of Patni is also shown in the 1958-59 enquiry. The question was whether the Patni prices for the remaining period of 1960 should be taken to be the same as February 1960 price or whether some change could be allowed. The Committee felt that it would be reasonable to assume that Patni prices would have behaved in the same way as the prices of other cereals viz., wheat, rice, bajra and jawar. It was found that the adoption of this assumption would make an insignificant difference to the Patni prices for 1960, and, therefore, the Committee decided that no change was essential on this account.

6.4. *Cloth*.—The question of cloth, though similar in kind, presented greater difficulties. In this group, for items bearing 74 per cent of the weight, prices have been repeated for the last eleven years. The prices of dhoti and saree (bearing respectively 15 per cent and 36 per cent of the weights assigned to clothing) have been repeated since September 1951 and of shirting (bearing 23 per cent. of the weight) since April 1953. The difficulty has not been that dhotis, sarees or shirting have gone out of use ; but the particular varieties of these, whose prices were collected since July 1950, have gone out of production. It would have been proper to replace these varieties by other varieties in use, but this was not done.

It has been pointed out to us that new varieties similar to old ones could not be found and neither the working class nor the employers could suggest acceptable substitutes ; and that there was, therefore, no alternative to repeating the old prices. While such price repetitions might be legitimate for a short period, their persistence for over a decade is indefensible. The procedure followed had the effect of pegging cloth group prices at a lower level. The price of the other two sub-groups i.e. coating and cloth for trousers, where the fixed varieties continued to be available, increased by 66 per cent. and 26 per cent respectively between 1952 and 1960. There is no doubt that if the chosen cloth varieties in dhotis, sarees and shirting had continued to be available, they would have shown some price rise.

6.5. Our enquiries with the Office of Textile Commissioner and the Millowners' Association revealed that getting the back cloth prices of any comparable varieties of dhotis, sarees and shirting over a period of eight years was impossible because of the frequent changes in cloth varieties that were in vogue. We, therefore, tried to replace the items of cloth in question by parallel price quotations from Bombay in the Economic Adviser's Index Number. We, however, found that the Bombay quotations did not have any handloom price quotations and that in some cases, the items selected were different. The Khan prices have also been an item of dispute ; the current quality of Khan does not appear to correspond to the original specification which has gone out of production. We, therefore, decided to replace the whole cloth price index in the current consumers price index number by the wholesale price index number of cotton manufacture (all India). The Economic Adviser's Index Number for cotton manufacture for 1960 (1952-53 = 100) was 127.5. We, therefore, allowed for a 27.5 per cent increase in the cloth price index of the current consumer price index series between 1952-53 and 1960.

6.6. As an independent check, we tried to get an idea of the changes in cost of production of the varieties in question by discussing the problem with the Deputy Director (Textiles) and some of the cost accountants of the Mills. We found that about 30 per cent would be a fair measure of the cost increase of the varieties in question between 1952-53 and 1960. This confirms our above correction of cloth group.

6.7. *Housing*.—The price index for housing has been repeated at 106 since April 1954. It was earlier kept constant at 100. This figure was largely arbitrary. By 1960, even the controlled rent for older houses showed a greater rise. According to the information obtained from the Bombay Municipal Corporation, for all houses whose rateable value is more than Rs. 500 a year,  $4\frac{3}{4}$  per cent increase in rent was permissible between

1954-1960. This did not include the additional rent that could be charged when major repairs or renovations were carried out nor any allowance for the 'pagree' which the 'post-war' tenants of 'pre-war' houses had generally to pay on their first occupancy. There are two additional factors to be considered. There was a great increase in the strength of the working class in Bombay City during this period and it is obvious that all these could not have been accommodated in the old tenements. Some of them at least must be staying in post-war houses, the rent of which is much higher. This cannot be entirely lost sight of in determining the price of housing which must be a weighted average of old and new workers' tenements. It has been argued before us that the new constructions for the working class have been few and that their inclusion, would not, therefore, make much difference to the rent index. There may be truth in this contention, but it is not realised that this simultaneously means more over-crowding, a deterioration in the quality of housing as far as one of its most important constituents — per capita space — is concerned. The type of new tenements for working classes has changed. They are now built according to specifications; the sanitary and ventilation needs are looked after to a greater extent. On the other hand, the distance of home from the place of work is likely to have increased and many old tenements might be in bad state of repairs. It is difficult to make allowance for all these in view of the fact that comparative data on many of these aspects are not available. Only a rough correction in the price of housing is possible. According to the 1960 house rent enquiry by the Labour Bureau, Government of India, conducted to ascertain the basic price for housing for the new series, the rent per tenement was Rs. 11.33 compared with Rs. 6.37 in 1932-33. Ignoring changes in over-crowding and other housing facilities, the increase in the price of housing would be 78 per cent. The house rent index would, therefore, be 178 in 1960.

6.8. *Dalda and Ghee*.—In the current consumers price index number, vanaspathi (dalda) has been substituted in place of pure ghee since December 1951. It has not been contended that ghee ceased to be an item of consumption. The 1958-59 budget survey shows some expenditure of the working class on ghee. We are told that ghee prices could not be collected, as 'pure' ghee — the item specified for price collection — became increasingly unidentifiable. Ghee was, therefore, substituted by dalda. The dalda prices, however, have increased less than ghee prices. We, therefore, decided to replace dalda by ghee again. Fortunately, we had available the Crawford Market series of the prices of two varieties of ghee — Porbunder and Ordinary. The former was more closer to 'pure' ghee — the base item of the series — and hence was utilised by us. The result of replacing dalda by ghee would be to increase the index for the item by 479 points in the year 1960 (*vide* Appendix VI for details).



6.9. *Travelling to and from native place.*—There were some cases in which the prices of items chosen as representative of a sub-group were alleged to have moved very differently as compared to the prices of other items in the sub-group. For instance, the railway fare for 26 kilo meters was selected as a representative item for the sub-group travelling to and from native place. This fare increased by 53 per cent. between 1933-34 and 1960. It was argued that the fares for bus and steamer which were important modes of transport for the working class increased much more. On the basis of such information, as we were able to collect, we found that the bus fares had not increased more than railway rates while steamer rates had greatly increased. It is true that steamer was an important mode of transport in 1932-33. But the published survey report does not give separate expenditure on different modes of travelling. The 1958-59 survey report gives results of expenditure on travelling both within the city and to and from native place combined together; the expenditure on travelling by steamer does not get any weight. Under the circumstances, it was not found possible to introduce any correction for this item.

6.10. *Pan-Supari.*—A similar situation arose in the case of Pan and Supari, where Supari prices were taken as representative of the Pan-Supari prices. Of all the items chosen for price collection for consumers price index number, the price of Supari has increased the most. Its price in 1960 was more than 10 times the price in 1933-34. While Pan prices are not collected for Bombay City, it was contended that they would have shown a smaller increase. The 1933-34 budget enquiry does not give separate expenditure on Pan and Supari but the 1958-59 budget survey shows that the average working class spends an equal sum on Pan as on Supari. It is quite likely that between 1933-34 and 1958-59, the habits of the working class in this regard have greatly changed. We tried to collect Pan prices from the Crawford Market records but found that there were many important gaps. The Pan prices in other centres show a very disparate behaviour. For instance, at Jalgaon, the prices of Pan have risen to eleven times the 1937 prices whereas at Sholapur they have hardly doubled. In view of this, we have not found it possible to make any correction in the Pan-Supari prices.

6.11. *Medicine.*—Some of the workers' representatives argued that the Employees' State Insurance Contributions should be regarded as an exception to the fixed basket theory as this represented a compulsory charge. They made a serious indictment of the E. S. I. Scheme and maintained that apart from cash benefits, workers were obtaining nothing more than the old facilities for which they were only spending Re. 0-3-1 per family in 1932-33. We examined this question at some length and came to the conclusion that the essential features of the E. S. I. Scheme, which is a social

security measure, are entirely different, non-comparable, and that even apart from the cash benefits the facilities obtained thereunder were very different from the old medical facilities. We also examined the expenditure items of Employees' State Insurance Corporation in Bombay City which confirmed our above assessment. Under the circumstances, we do not find it necessary to replace the expenditure on medicine by the contributions to the Employees' State Insurance Scheme.

6.12. A bottle of mixture costing 0.50 nP. in the base year was taken as a representative item for the entire group of medical fees and medicines. The price for this item for 1960 was 0.75 nP. While we are satisfied that the bottle of mixture was available at this price, its price index no longer represents the behaviour of the price of medicines which a bottle of mixture was supposed to represent. It was, however, not possible to get a satisfactory index for other medicines as most of the medicines now in use are widely different from those used during the base year. Further, the 1932-33 survey report does not give a break-up of the expenditure on medical treatment by medical fees and medicines. We have, therefore, not made any attempts to correct the price index for medicine.

6.13. *Complaints regarding specifications, price collection, etc.*—In the course of the evidence, doubts were expressed about the veracity of prices collected by the Office of the Commissioner of Labour especially in the case of milk, cloth, tea and medicine; about the process of substitution of one quality for another and the system of allowances for quality changes. It was also alleged that the original specifications were not adhered to in many cases and there have been quality changes in many items. The Committee went into these allegations in some details. We took up a few cases, examined the records, working sheets and other relevant papers, enquired about the internal checks and counter-checks and also visited a few shops. Our general impression was that prices were correctly recorded, all possible precautions were taken to stick to the specifications and that in all cases of substitution except in the case of dalda for ghee the splitting method, which is generally approved, was followed (*vide* Appendix V). It may not, however, have been possible to guard effectively in all cases against imperceptible quality changes over a long period. It is difficult for us to ascertain at this stage what such changes were and how they affected the index number. In the case of one item viz. ready-made tea the quality change was obvious. The price index for ready-made tea, which is representative of tea and snacks, rose to 149 by 1960. This seemed an under-estimate because the price-indices of each of the constituents of ready-made tea—milk, sugar and tea powder—have increased much more to 323, 398 and 548 respectively. Price-index of kerosene—the fuel generally used

in tea preparation — rose to 180. The low quoted price of ready-made tea, it seems, can only be explained by the change in quality, especially the substitution of milk powder for milk, a substitution which was compelled by law during a part of intervening period. We thought that some correction is called for on this count. We have, therefore, ascertained the proportions of the important constituents that go into ready-made tea from the Tea Board and on the basis of prices of these materials in 1933-34 and in 1960, we arrived at the price index for ready-made tea which worked out at 377 for the year 1960.

6.14. *Total Weights in 1933-34.*—There were several other matters which were pointed out to us, on which we may indicate our findings in brief. It was pointed out to us that the total of weights in the current index number was only 89. This arose because of the exclusion of certain items in the miscellaneous group and not explicitly adjusting the weights given to other items. The effect of the present procedure is the same as of assuming that the prices of excluded items behaved in the same way as all the other items taken together. An alternative plausible assumption would have been that the excluded items had the same price movement as the miscellaneous group. In view of the great diversities of the items excluded, it is not possible to say which of these assumptions is more correct. We do not, therefore, see any case for correction on this count.

6.15. *Weightage to Milk.*—There was also a complaint about the weightage of milk. It was argued that 5.7 per cent. of the food expenditure was spent on milk according to the 1932-33 budget enquiry but the weight accorded to it was 7. This was because the expenditure on sweet-meats which amounted to 1.04 per cent. of the family expenditure, was assigned proportionately to milk and to sugar.

6.16. *Modes of Purchase.*—Another question raised was regarding the modes of purchase. In the last few years, some commodities are available at different prices, depending on the mode of purchase. For instance, milk bought from the private vendor is costlier than that bought at Aarey Milk Depot, though the latter is often qualitatively superior. The consumers price index in 1960 for Government milk price was 307 and for private milk 338. Some workers purchase a part of their food-grain requirements at cheap grain shops of factories. These facts, it was suggested, must be recognised by changing the number and nature of shops taken for price collection or changing weights of different types of shops. It was argued that in recent years, there were two major changes of this type viz. in rice and milk. In the present calculation of index numbers, it is assumed that the private and Government rice are purchased by the working class in the

proportion of 3:1. This is based on the findings of a Committee presided over by Shri Ashoka Mehta in 1958. There is some reason to believe that the proportions have changed now. We are, however, concerned only with the ratios in 1960. We found that the prices of both Government and private rice were practically stable during the years 1959 and 1960. The change, therefore, in the ratios of off-take from the fair price shops and private shops would make no difference to the price index. On the question of milk, the present practice is to give equal weight to the Aarey and other milk prices. We have not been able to ascertain in the proportions of Aarey and other milk actually consumed by the working class. We are, therefore, not in a position to recommend any change in the present practice.

6.17. Both the Millowners' Association and the Employers' Federation of India submitted that many of the employers were running cheap grain shops where a number of important articles of consumption were being sold and these were availed of by the working class and that the prices at these shops should be taken into account in computing the price-index. The Millowners' Association furnished figures regarding the sales at the cheap grain shops of their member Mills in October 1963 which amounted in all to Rs. 7.81 lakhs i.e. about Rs. 6 per eligible worker. In 1960 the sales would have been even of a smaller order. The eligible workers constituted about 1/6th of the factory workers. We had no figure from other factory employers regarding their cheap grain shops but have reason to believe that these were very small in number. While, therefore, agreeing with the general contention that these shops should be given due importance in the system of collecting prices, we have not found it necessary to correct the price-index series for the same.

6.18. *Exclusion of taxes.*—Another plea that was made before us by the employers was that the indirect taxes should be excluded from retail prices, as one of the aims of Government in levying them was that they should reduce the purchasing power of the working classes thus restricting their consumption. The effect of including them in the price index would be to furnish a basis for higher dearness allowance, thus defeating the very purpose of levying them. This argument is only relevant when linking the dearness allowance with consumers price index. It cannot, however, affect the compilation of index numbers.

6.19. *Final Correction.*—Taking into account the corrections allowed for in the price indices of ghee, ready-made tea, house rent and clothing group, the revised 1960 (average) consumer price index works out at 449 as compared to the published index—420 (*vide* Appendix VI). Similar methods adopted by us for correcting the index at 1960, can be used to

correct the current index for 1961, 1962 or any later-period. But this course did not appear advisable to us as it was possible to have for those periods an index based on the current consumption pattern.

6.20. *Linking*.—One of the points referred to us for consideration is the manner in which the current index is to be linked with the new one. Several alternatives have been suggested to us. They range from not linking at all to working a complicated statistical formula based on the comparison of the current and the new series over a period of time. Of all the methods available, a simple proportionality has the greatest to commend itself, partly for its simplicity. We have carefully considered all the alternatives available to us. When the correction of an index number series is undertaken after a long lapse of time, it is natural to consider the possibility of correcting the later years' relatives on the basis of the current weights rather than the base year weights in order to make some allowances for changes in the consumption patterns that may have taken place. As explained earlier, this way of correction was ruled out on account of lack of price data in respect of the items of consumption included in the current consumption pattern.

6.21. The two practical alternatives were, therefore, to link on the basis of a simple proportionality in respect of the base year of availability of the new index, that is the calendar year 1960, or on the basis of a regression equation fitted to the new index and the corrected old index over a period of time. A possible variant to the latter would have been to similarly link the relatives for individual items or groups of items. After carefully considering the implications of the second method and the probability of obtaining satisfactory fits in respect of either the aggregate index or parts of it over the possible over-lapping period of slightly less than three years, we came to the conclusion that there was no real alternative to a simple ratio linking at 1960. It was also obvious that the linking had to be done at 1960. There is no case according to us, for allowing the old index to run unnecessarily over the overlapping period by seeking to link the two indices either in 1961 or 1962. In spite of the fact that a linking on the basis of a simple ratio corrects a series only in respect of one of its dimensions, we recommend this course because we are of the opinion that such a correction is adequate for the requirements of our terms of reference and in any case, the only correction that we can meaningfully carry out.

6.22. *Survey year and Budget year*.—It has been argued that the new series adopts 1960 as the base year with 1958-59 weights; and this makes some difference to the series especially as 1958-59 was not a normal year. According to the terms of reference, in working out the linking factor we are required to give due consideration to this problem. The weighting pattern

adopted for the new series could differ from the one that should have been strictly adopted on two grounds : (1) changes in the quantities consumed between 1958-59 and 1960 and (2) changes in prices. It could be assumed that the pattern in terms of quantities of commodities consumed did not undergo any significant change during this short period. We examined the changes in the prices of the important commodities of consumption between the two periods in so far as they were available and were satisfied that if the 1958-59 quantities were purchased at 1960 prices, there would have been no material difference in the expenditure pattern and therefore, the weighting pattern.

6.23. We, therefore, recommend that—

(i) It would be desirable to revise the current index as in 1960 and that the revised index number for 1960 (average) should be 449, i.e. 29 points more than the published index figure ;

(ii) That no adjustment is necessary in the new series on account of the fact that its base period is different from the period of family budget enquiry ;

(iii) That the new series should be linked to the current revised series at 1960 by a simple ratio linking and that the linking factor should be 4.49.

(Signed) D. T. LAKDAWALA,

(Signed) K. MUKERJI.

(Signed) C. V. RAO.

(Signed) T. R. BHAGWAT,  
Secretary.

Dated 7th January 1964.



सत्यमेव जयते

## APPENDIX I

*Weighting diagram of Consumer Price Index Numbers for Industrial Workers, Bombay**Base : 1933-34 = 100*

Article	Weight proportional to total expenditure	Article	Weight proportional to total expenditure
<b>FOOD—</b>		<b>CLOTHING—</b>	
Rice .. ..	22	Dhotis .. ..	15
Patni .. ..	6	Coating .. ..	12
Wheat .. ..	3	Shirting .. ..	23
Jowari .. ..	1	Cloth for trousers .. ..	4
Bajri .. ..	4	Sarees .. ..	36
Turdal .. ..	4	Khans .. ..	10
Gram .. ..	1		
Raw Sugar (Gul) .. ..	1	Total, Clothing .. ..	100
Sugar (refind) .. ..	5		
Tea .. ..	2		
Fish, dry Bumlows .. ..	3		
Fish Fresh—Bhing or palah. .. ..	1	<b>HOUSING—</b>	
—Prawns .. ..	2	House rent .. ..	100
—Bumlows .. ..	2		
Mutton .. ..	5		
Milk .. ..	7		
Ghee (Vanaspati) .. ..	2	<b>MISCELLANEOUS—</b>	
Salt .. ..	1	Barber .. ..	13
Chillies, dry .. ..	3	Soap (Washing) .. ..	9
Tamarind, old .. ..	2	Medicine .. ..	3
Turmeric .. ..	2	Supari .. ..	25
Potatoes .. ..	1	Pidis .. ..	22
Onions .. ..	1	Travelling to and from native place. .. ..	27
Brinjals .. ..	5	Newspaper .. ..	1
Pumpkins, white .. ..	5		
Cocunut oil .. ..	2	Total, Miscellaneous .. ..	100
Sweet Oil .. ..	2		
Tea, ready-made .. ..	5		
Total, Food .. ..	100		
		<b>Groups—</b>	
<b>FUEL AND LIGHTING—</b>		Food .. ..	47
Charcoal .. ..	30	Fuel & Lighting .. ..	7
Fire Wood .. ..	52	Clothing .. ..	8
Kerosene Oil .. ..	16	House Rent .. ..	13
Matches .. ..	2	Miscellaneous .. ..	14
Total, Fuel and Lighting. .. ..	100	Total .. ..	89



## APPENDIX II

### Consumer Price Index Numbers for Industrial Workers, Bombay

Base : 1960=100

Articles	Weight	Articles	Weight
1	2	1	2
<b>I-A. FOOD—</b>		<b>I-A. FOOD—contd.</b>	
<b>(a) Cereals and Products :—</b>		<b>(e) Milk and Products—</b>	
Rice 'Gurmuta' (i) ..	59.23	Milk (i) Pure ..	86.87
'No. 24' (ii) ..		(ii) Aarey (Whole) ..	
Fair Price Fine (i) ..		Curd ..	1.31
Fair Price Coarse (ii) ..		Ghee Aarey ..	11.82
Wheat 'Australian' (i) ..	25.05	Total ..	100.00
Jawar ..	9.42		
Bajra ..	3.22	<b>(f) Condiments and Spices :—</b>	
Bread ..	0.92	Salt ..	5.40
Grinding charges ..	2.16	Turmeric ..	5.40
Total ..	100.00	Chillies (dry) ..	28.42
		Chillies green ..	6.83
<b>(b) Pulses and Products—</b>		Onions ..	19.42
Arhar Dal ..	63.78	Garlic ..	4.67
Gram dal ..	12.99	Coconut ..	12.95
Moong dal ..	12.21	<b>Other Spices—</b>	
Masur dal ..	7.87	(a) Pepper ..	16.91
Uriddal ..	3.15	(b) Jeera ..	
Total ..	100.00	(c) Lavang ..	
		Total ..	100.00
<b>(c) Oils and Fats—</b>			
Coconut Oil ..	9.55	<b>(g) Vegetable and fruits.</b>	
Groundnut Oil ..	71.05		100.00
Vanaspati ..	19.40	Total ..	100.00
Total ..	100.00		
<b>(d) Meat, Fish and Eggs—</b>		<b>(h) Other Food—</b>	
Goat Meat ..	52.54	Sugar (crystal) ..	29.57
Fish Fresh ..	38.41	Tea leaves ..	12.52
Fish Dry (Bombil) ..	3.97	Snacks Saltish ..	15.01
Eggs ..	5.08	Snacks Sweet ..	7.11
Total ..	100.00	Cold drinks ..	1.24
		Tea-ready-made ..	34.55
		Total ..	100.00

APPENDIX II—*contd.*

Articles	Weight	Articles	Weight
1	2	1	2
<b>I-A. FOOD GROUP—<i>contd.</i></b>		<b>IV. CLOTHING, BEDDING AND FOOT-WEAR—<i>contd.</i></b>	
(a) Cereals and Products.	35.29	Trouser Cloth Morarji	2.76
(b) Pulses and Products	4.79	Gokuldas Mills.	
(c) Oils and Fats ..	5.76	Other Cloth (i) Mulmal..	8.54
(d) Meats, Fish and Eggs.	10.62	(ii) Markin..	
(e) Milk and Products ..	9.53	Bush Shirt ..	3.94
(f) Condiments and Spices.	6.76	Trousers ..	3.77
(g) Vegetable and Fruits.	8.24	Vest ..	3.18
(h) Other food ..	8.24	Shoes (gents) ..	3.10
Total ..	100.00	Chappals (ladies) ..	6.03
<b>I-B. TOBACCO, PAN, SUPARI AND INTROXICANTS—</b>		Total ..	100.00
Pan leaves ..	18.55	<b>V. MISCELLANEOUS—</b>	
Pan (finished) ..	9.89	(a) Medical care—	
Supari ..	19.44	Doctor's fee ..	19.78
Katha ..	3.53	Medicine ..	32.46
Bidi ..	28.80	E. S. I. Premium ..	47.76
Cigarettes ..	6.54	Total ..	100.00
Chewing Tobacco ..	13.25		
Total ..	100.00	(b) Education, Recrea- tion and Amusement—	
<b>II. FUEL AND LIGHT—</b>		School fee ..	22.54
Fire Wood ..	11.51	School Book ..	7.64
Kerosene Oil ..	42.64	Stationery (i) Exercise	4.73
Electricity ..	9.81	Book (ii) Pensil ..	
Charcoal ..	28.30	Newspaper ..	7.64
Match Box..	7.74	Cinema ..	57.45
Total ..	100.00	Total ..	100.00
<b>III. HOUSING—</b>		(c) Transport and Commu- nication—	
Residential house rent	100	Railway fare ..	46.83
<b>IV. CLOTHING, BEDDING AND FOOT-WEAR—</b>		Busfare ..	35.35
Dhoti Ruby Mills (i) ..	10.72	Tram fare ..	7.55
New City Mills (ii) ..		Postage ..	10.27
Saree Ichalkaranji (i) ..	28.14	Total ..	100.00
Malegaon (ii) ..			
Shirting Shorrak Mills (i) ..	24.87		
Mafatlal Mills (ii) ..			
Long Cloth Kohinoor Mills.	5.95		

## APPENDIX II—concl'd.

Articles	Weight	Articles	Weight
1	2	1	2
<b>V. MISCELLANEOUS—contd.</b>		<b>V. MISCELLANEOUS—concl'd.</b>	
<i>(d) Personal care and effects—</i>		<i>(a) Medical Care .. 28·27</i>	
Hair Oil .. ..	26·92	<i>(b) Education, Recreation and Amusements. 11·94</i>	
Barber charges ..	44·23	<i>(c) Transport &amp; Communication. 14·81</i>	
Toilet Soap ..	14·91	<i>(d) Personal Care and Effects. 18·89</i>	
Tooth Powder ..	7·21	<i>(e) Others .. 26·09</i>	
Blade .. ..	0·96		
Umbrella ..	5·77		
Total ..	100·00	Total ..	100·00
<i>(e) Others—</i>		<b>GENERAL INDEX—</b>	
Durrie .. ..	2·66	I-A. Food ..	57·1
Trunk .. ..	2·66	I-B. Pan, Supari and Intoxicants. 4·9	
Utensils-Brass ..	7·99	II. Fuel and Lighting. 5·0	
Bucket .. ..	2·16	III. Housing ..	4·6
Laundry charges ..	25·29	IV. Clothing, Bedding and Footwear. 9·4	
Washing soap ..	35·28	V. Miscellaneous ..	19·0
Tailoring charges :—			
(i) man .. ..	23·96		
(ii) woman .. ..			
Total ..	100·00	Total ..	100·0

## APPENDIX III

*Names of organisations and delegates who gave oral evidence  
before the Committee*

Serial No.	Name of organisation	Date of appearance before the Committee	Names of delegates
1	Indian National Trade Union Congress (Maharashtra Branch).	10th October 1963.	Shri G. D. Ambekar.
2	Bharatiya Mazdoor Sangh (Bombay Branch).	10th October 1963.	G. S. Gokhale. M. P. Mehta.
3	All India Trade Union Congress, (Maharashtra Branch).	11th October 1963.	Shri S. A. Dange. Shri Datta Deshmukh. Shri Yeshwant Chavan. Shri S. G. Patkar Shri G. V. Chitnis.
4	Hind Mazdoor Sabha (Maharashtra State Council).	11th October 1963.	Shri Bagaram Tulpule. Shri H. K. Sowani
5	Hind Mazdoor Panchayat	11th October 1963.	Shri Tulsi Boda. Shri C. S. Patil. Shri V. N. Sane.
6	Mill owner's Association	4th November 1963.	Shri Radhakrishna R. Ruia Shri R. L. M. Vijayanagar. Shri M. S. Varty.
7	Employers' Federation of India	4th November 1963.	Shri Kith Roy. Shri M. S. Varty. Shri N. M. Vakil. Shri Y. S. Pandit. Shri L. C. Joshi. Shri K. Mayadas.
8	All India Manufacturers Organisation.	16th November 1963	Shri H. P. Merchant. Shri N. D. Sahukar. Shri S. P. Subramaniam.

## APPENDIX IV

*Statement showing the percentage expenditure on the items to the total expenditure as revealed in the 1932-33, 1942-43 and 1958-59 enquiries*

Article		Percentage to total expenditure		
		1933-34	1942-43	1958-59
<b>I-A. Food—</b>				
<i>(a) Cereal and Cereal Products—</i>				
Rice	..	10.34	9.57	11.93
Patni	..	2.82	....	....
Wheat	..	1.41	4.23	5.05
Wheat Flour	..	....	0.06	....
Jawar	..	0.47	0.78	1.90
Bajra	..	1.88	3.56	0.65
Bread	..	....	....	0.18
Grinding Charges	..	....	0.73	0.43
Others	..	....	0.04	....
<i>(b) Pulses—</i>				
Arhur dal (Turdal)	..	1.88	1.95	1.75
Gram dal	..	....	0.65	0.35
Mung dal	..	....	0.36	0.33
Masur dal	..	....	0.06	0.22
Urad dal	..	....	0.02	0.09
Chowla dal	..	....	0.01	....
Gram	..	0.47	....	....
Others	..	....	0.51	....
<i>(c) Oils and fats—</i>				
Coconut Oil	..	0.94	0.07	0.31
Groundnut Oil (Sweet Oil)	..	0.94	2.44	2.35
Mustard Oil	..	....	0.02	....
*Vanaspoti	..	0.94	0.11	0.64
Others	..	....	0.09	....
<i>(d) Meat, Fish and Eggs—</i>				
Goat meat	..	2.35	3.17	3.19
Beef	..	....	0.30	....
Fish fesh	..	2.35	2.64	2.33
Fish dry	..	1.41	....	0.24
Fowls	..	....	0.06	....
Eggs	..	....	0.02	0.31
Others	..	....	0.01	....
<i>(e) Milk and Milk Products—</i>				
Milk	..	3.29	3.64	4.73
Curd	..	....	0.01	0.07
Butter Milk	..	....	0.01	....
Butter	..	....	0.01	....
Ghee (Pure)	..	....	0.22	0.65

\*Expenditure on pure ghee. Refer to sub-group 'e'.

APPENDIX IV—*contd.*

Article	Percentage to total expenditure		
	1933-34	1942-43	1958-59
<i>(f) Condiments and Spices—</i>			
Salt	0.47	0.40	0.21
Turmeric	0.94	0.12	0.21
Tamarind and Kokum	0.94	0.19	...
Chillies (dry)	1.41	0.05	1.11
Chillies (green)	....	....	0.26
Onions	0.47	0.02	0.75
Garlic	....	....	0.18
Cocount	....	....	0.50
<i>Other spices—</i>			
Pepper	....	....	0.65
Jeera	....	....	
Lavang	....	....	
Others	....	3.01	
<i>(g) Vegetables and Fruits</i>	5.17	6.13	4.71
<i>(h) Other food—</i>			
Sugar	2.35	2.34	3.21
Gur	0.47	0.12	....
Tea Leaf	0.94	....	1.36
Snack-saltish (bhajia)	....	1.46	1.63
Snack-sweets (Jelebi)	....	0.83	0.77
Tea Ready-made	2.35	2.66	3.75
Cold Drink	....	0.01	0.13
Pickles & Preserves	....	0.01	....
Others	....	0.01	....
<i>I-B. Tobacco, Pan Supari and Intoxicants—</i>			
Pan (leaf)	....	....	0.91
Pan (finished)	....	....	0.48
Supari	3.50	2.49	0.95
		(pan supari).	
Katha	....	....	0.17
Bidi	3.08	2.24	1.41
Cigarettes	....	0.15	0.32
Chewing tobacco	....	0.24	0.65
Liquor	....	3.00	....
Toddy	....	0.01	....
Ganja Charas	....	0.01	....
Opium	....	0.01	....
Snuff	....	0.01	....
Hukkah	....	0.08	....
<i>II. Fuel and Lighting—</i>			
Firewood	3.64	2.68	0.58
Kerosene Oil	1.12	0.61	2.13
Electricity	....	0.08	0.49
Charcoal	2.10	6.15	1.42

APPENDIX IV—*contd.*

Article	Percentage to total expenditure		
	1933-34	1942-43	1958-59
<b>II. Fuel and Lighting—contd.</b>			
Match Box	1.14	0.21	0.39
Lamps	....	0.01	....
St coke	....	0.20	....
Steam Coal	....	0.01	....
Saw dust.	....	0.01	....
Cowdung cakes	....	0.07	....
Castor or Mustard Oil	....	0.07	....
Others	....	0.06	....
<b>III. House Rent</b>	13.00	7.20	4.6
<b>IV. Clothing, Bedding and Footwear—</b>			
Dhoti	1.20	1.45	1.01
Sari	2.88	3.14	2.65
Shirting	1.84	2.05	2.34
Long cloth	....	....	0.56
Trouser cloth (suits)	0.32	0.21	0.26
Mulmul	....	....	0.80
Markin	....	....	....
Bush Shirt	....	....	0.37
Trouser (pant and half pant)	....	1.13	0.35
Vest (under garment and Petticoats)	....	0.34	0.20
Coats (coating)	0.96	0.71	....
Khans	0.80	....	....
Lungies	....	0.09	....
Turban	....	0.02	....
Caps	....	0.20	....
Bundies	....	0.12	....
Handkerchief	....	0.02	....
Socks and Stockings	....	0.02	....
Pyjamas	....	0.09	....
Orhnies or Duputtas	....	0.10	....
Frocks	....	0.22	....
Ghagress or skirts	....	0.15	....
Cholies	....	0.81	....
Blouses and Jackets	....	0.11	....
Bodice	....	0.01	....
Shoes	....	0.49 (Men)	0.29
		0.09 (Women)	(Gents)
Chapals and Sandals	....	0.06 (Men)	0.57
		0.08 (Women)	(Ladies)
Others	....	0.01	....
<b>V. Miscellaneous—</b>			
<b>(a) Medical care—</b>			
Doctor fee	....	....	1.06
Medicine	0.42	0.20 (Medicine	1.74
		& Medical	
		Attendant)	
E. S. I. Premium	....	....	2.57

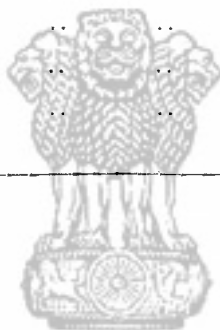
APPENDIX IV—*contd.*

Articles.	Percentage to total expenditure.		
	1933-34	1942-43	1958-59
<b>V. Miscellaneous—<i>contd.</i></b>			
<b>(b) Education, Recreation and Amusement—</b>			
School fee	.. ..	0·25	0·25
		(Education of children)	
School Books	.. ..	.. ..	0·71
Stationery :—	.. ..	.. ..	0·11
(a) Exercise Book	.. ..	.. ..	.. ..
(b) Pencil	.. ..	.. ..	.. ..
News paper	.. ..	0·01	0·17
Cinema	.. ..	1·13	1·31
		(Amusement)	
<b>(c) Transport and Communication—</b>			
Rly fare (Travelling to and from native place)..	3·78	3·43	1·32
		(Travelling expenses)	
Bus fare	.. ..	.. ..	0·99
Tram fare	.. ..	.. ..	0·21
Postage	.. ..	0·07	0·22
<b>(d) Personal care and effects—</b>			
Hair Oil	.. ..	0·45	0·97
Barber charges	.. ..	1·48	1·59
Toilet soap	.. ..	0·04	0·54
Tooth Powder	.. ..	0·33	0·26
Blade	.. ..	.. ..	0·03
Umbrella	.. ..	0·23	0·21
<b>(e) Others—</b>			
Durrie	.. ..	.. ..	0·13
Trunk	.. ..	.. ..	0·13
Utensils (Bra s)	.. ..	.. ..	0·40
Bucket	.. ..	.. ..	0·11
Laundry charges	.. ..	0·10	1·26
Washing Soap	.. ..	1·10	1·75
Tailoring charges :—	.. ..	.. ..	1·19
Per man shirt	.. ..	.. ..	.. ..
Per women Blouse	.. ..	.. ..	.. ..
Lottery	.. ..	0·01	.. ..
Watches and Toys	.. ..	0·07	.. ..
Gifts and presents	.. ..	0·06	.. ..
Servants	.. ..	0·02	.. ..
Subscriptions	.. ..	0·01	.. ..
Taxes	.. ..	0·01	.. ..
Religious Festivals	.. ..	0·12	.. ..
Trade Union subscription	.. ..	0·01	.. ..
Law revenue	.. ..	0·01	.. ..
Bangles	.. ..	0·18	.. ..
Combs	.. ..	0·08	.. ..
Tooth Sticks	.. ..	0·06	.. ..
Others	.. ..	0·03	.. ..



APPENDIX IV—*conold.*

Articles	Percentage to total expenditure		
	1933-34	1942-43	1958-59
<i>House Hold Requisites :</i>			
<i>Bedding—</i>			
Cots	.. ..	0·01	....
Mattresses	.. ..	0·01	....
Blankets	.. ..	0·03	....
Bedsheets	.. ..	0·08	....
Towels	.. ..	0·06	....
<i>Cooking utensils—</i>			
Cooking pots	.. ..	0·16	....
Earthen pots	.. ..	0·01	....
Tinning	.. ..	0·13	....
Others	.. ..	0·01	....



सत्यमेव जयते

## APPENDIX V.

*Statement showing the substitution made by the Office of Labour Commissioner in the original varieties and units of measurement from time to time since 1933-34.*

Serial No.	Item and original variety.	Substituted variety.	Date of substitution.	Remarks
1	2	3	4	5
1	Rice.—Rangoon Small mill Basic price Re. 0-3-11 per paylee.	(1) Burma rice. (2) Rice No. 24.	July 1954 May 1957	.. Basic price interpolated to Re. 0-1-3 per seer. .. Enough quotations of Burma rice were not available as its supply became scarce. It was, therefore, substituted by Rice No. 24 which was a popular variety. Basic price changed from Re. 0-1-3 to 10-9375 nP. per seer after making allowance for superiority of the substituted variety. (See explanatory Note below).
		(3) Government rice (Punjab Begmi).	May 1958	.. As per the recommendations of Ashok Mehta Committee, the ratio of consumption of Government rice (Punjab Begmi) and rice No. 24 was taken at 1:3. The weight of rice was proportionately divided between these two varieties of rice. The basic price of Government rice worked out to be the same as Burma rice i.e. 07-8125 nP. per seer. As per the recommendations of the Committee, the prices of the cheapest variety of Government rice are collected.
		(4) Luchai ..	June 1960	.. As Rice No. 24 went out of market Luchai was substituted in its place. No adjustment was found necessary in the basic price.
2	Wheat.—Seoni Pissi Basic price Re. 0-4-9 per paylee.	(1) Punjab Pissi.	November 1955	The popular variety Punjab Pissi was substituted on account of scarcity of Pissi wheat. Basic price adjusted to Re. 0-1-9 per seer.

APPENDIX V—*contd.*

Serial No.	Item and Original variety.	Substituted variety,	Date of substitution.	Remarks.
1	2	3	4	5
2	<i>Wheat</i> .— <i>contd.</i>	Over-seas Wheat.	May 1957	.. On account of scarcity of Punjab Pissi, Over-seas Wheat was substituted after making allowance for inferiority. Basic price adjusted to 7·8125 nP. per seer.
3	<i>Bajra</i> .—Ghati basio price Re. 0-4-3 per paylee.	Kalpi	February 1954	.. Kalpi Bajra was substituted for original variety which became scarce. Basic price adjusted to Re. 0-1-7 per seer.
4	<i>Gram</i> .—Punjab Basic price Re. 0-4-9 per paylee.	Jambusar .. Punjab.	October 1943 .. February 1944 ..	.. Basic price adjusted to Re. 0-4-11 per paylee. .. Punjab variety substituted for Jambusar variety on account of latter's scarcity. Basic price changed from Re. 0-4-11 to Rs. 0-4-9 per paylee.
		Jambusar.	April 1948	.. Basic price adjusted to Re. 0-4-11 per paylee.
5	<i>Sugar</i> .—Refined Basic price Re. 0-2-2 per lb.	Foreign Sugar (small grain)	May 1955	.. Foreign sugar (small grain) substituted for original variety which became scarce. Basic price changed from Re. 0-4-5 to Re. 0-4-4 per seer.
		Indian Sugar (Small grain).	August 1956.	.. Indian sugar (small grain) was substituted for Foreign Sugar which became scarce. No adjustment was found necessary in the basic price.
6	<i>Tea</i> .—(Brooke Bond) Green Seal, Basic price Re. 0-10-0 per lb.	Gulab ..	April 1953	.. Newly introduced popular variety substituted. Basic price changed from Re. 0-10-0 to Re. 0-10-2 per lb.
7	<i>Matches</i> .—(Wimco) Basic price (Re. 0-2-5 per dozen.)		December 1941	.. New popular variety with 33 per cent. superiority interpolated. Basic price raised from Re. 0-2-5 to Re. 0-3-3 (per dozen).

APPENDIX V—*contd.*

Serial No.	Item and Original variety.	Substituted variety.	Date of substitution.	Remarks.
1	2	3	4	5
7	<i>Matches</i> — <i>contd.</i>		June 1943 ..	New popular variety with 23 per cent. superiority interpolated <del>was</del> a subsequent changes in basic price.
		Wimco (50 sticks.)	.. July 1961 ..	Wimco (50 sticks) substituted for Wimco (60 stick) which was stopped. Basic price reduced from 4.1667 nP. to 3.4724 nP. (per two boxes.)
8	<i>Soap</i> .—Washing Flower Brand Basic price Re. 0.4-5.	Tata 501	.. January 1947	Original variety went out of market. So new variety substituted after changing price from Re. 0.4-5 to 0-6-7.
9	<i>Dhoti</i> — (i) Khatau Makanji Spg. & Wvg. Co. Ltd.	Khatau Makanji No. 809.	} May 1940 ..	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Rs. 3-1-10.
	(ii) Sir Shapurji Broach Mills Ltd. No. 1742 Basic price Rs. 2-11-1.	E. D. Sassoon Mills 532.		
		Shrinivas Dhoti..	January 1943.	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Rs. 2-9-6.
		Finlay Mills bleached No. 1101.	July 1945 ..	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Rs. 2-6-0.
		Century Mills Divya Moti.	March 1948.	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Rs. 2-7-2.
		Century Mills Bleached Dhoti Nakshi Border, Superfine, Divya Moti.	July 1950 ..	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Rs. 2-7-5.
10	<i>Coating</i> .—Morarji Gokuldas Spg. & Wvg. Co. Ltd., ordinary coating basic Price Re. 0-5-6.	(i) Morarji D. P. 2973 A. (ii) Morarji D. P. 4377.	May 1938 ..	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Re. 0-5-6.

APPENDIX V—*contd.*

Serial No.	Item and Original variety.	Substituted variety	Date of substitution	Remarks.
1	2	3	3	5
10	<i>Coating</i> — <i>contd.</i>	Morarji Gokuldas No. 6577.	July 1950 ..	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Re. 0-4-11.
		Morarji Gokuldas Mills, Mineral Khaki (Coarse) Drill Dyed No. 6907.	January 1954	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Re. 0-5-9.
11	<i>Shirting</i> —(i) Morarji Gokuldas Spg. & Wvg. Co. Ltd., Inferior variety.	(i) Morarji D. P. 4943.	May 1940 ..	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Re. 0-4-5.
	(ii) Sir Shapurji Broacha Mills Ltd., No. 2157 Re. 0-4-8.	(ii) Morarji D. P. 4665.		
		(i) New Great Eastern Bleached Shirting N. G. No. 1695.	July 1941. ..	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Re. 0-3-11.
		(ii) Century bleached coloured striped shirting Air Battle.		
		New China Mills No. 2977.	March 1948.	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Re. 0-3-4.
		Shriniwas Cotton Mills No. 99041.	September 1948.	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Re. 0-2-7.
		Phoenix Mills No. 2052C (Medium).	July 1950 ..	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Re. 0-2-1.
12	<i>Saree</i> .—Sir Shapurji Broacha Mills Ltd. No. 1802 Basic price Rs. 3-4-0.	E. D. Sasson No. S. B. 9. 50''×9 yards.	January 1938.	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Rs. 3-12-3.
		Kohinoor Mills No. 222. 9 yards.	April 1943 ..	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Rs. 3-4-4.
		New China Mills Bleached 9 yards.	July 1945 ..	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Rs. 3-7-6.

APPENDIX V—*contd.*

Serial No.	Item and Original variety.	Substituted variety.	Date of substitution.	Remarks.
1	2	3	4	5
12	<i>Sarees</i> — <i>contd.</i>	Kohinoor Mills, Bleached, Samaradny fine S. No. 52.	June 1949 ..	Selected variety ceased to be produced. Hence substitution. Interpalaced basic price Re. 3-4-4.
13	<i>Cloth for trousers.</i> — Phoenix Mills Ltd. plain Drill grey basic price Re. 0-10-9.	Phoenix Mills plain Drill grey.	May 1937 ..	Selected variety ceased to be produced. Hence substitution. Interpolated basic price—Rs. 0-9-1.
		Phoenix Mills Ltd. Grey drill.	June 1944 ..	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Re. 0-4-6.
		Morarji Mills Bleached drill.	March 1948.	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Re. 0-4-5.
		Morarji Gokuldas (coarse) No. 6586.	September 1950.	Selected variety ceased to be produce. Hence substitution. Interpolated basic price Re. 0-4-1.
		India United Mills Ltd. Bleached drill No. 1804, coarse.	January 1954	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Re. 0-4-3.
14	<i>Khans.</i> —R a m j i Khimji & Co. Ltd. Ordinary, Sholapuri Sutada, 30"×32" basic price Re. 0-3-8.	Madanpura 32" (Handloom).	September 1941.	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Re. 0-10-4.
		Maheshwar Handloom Khans 30"×30"	June 1948.	Selected variety ceased to be produced. Hence substitution. Interpolated basic price Re. 0-10-5.

After 1933-34 the unit of measurement had to be changed from time to time and consequent suitable adjustments were made in the basic prices. The following were adjustments of this type:—

(a) The unit of measurement of cereals was changed from paylee to seer in November 1951. That of salt was changed likewise in March 1956.

(b) The unit of measurement of Mutton, Ghee, Chillies, Tamarind, Turmeric, Potato, Onions, Brinjals, Pumpkins and Supari was changed from pound to seer in October 1951, that of raw of sugar and sugar in December, 1950.

(c) The unit of measurement of Charcoal and Fire-wood was changed from maund to 40 seers in August, 1951.

(d) The unit of measurement of Kerosene oil was changed from bottle to  $\frac{1}{4}$  gallon in July 1952.

(e) After the introduction of Metric system the unit of most of the items were changed into metric units in December 1960. That of Coconut oil and Sweet oil was changed in April 1961 and of Milk and Kerosene in April 1962

*Explanatory note.*—While making the above substitutions certain important factors like the popularity of the new variety indicated by the number of price quotations available and the possibility of the variety being available freely in the market for considerable period were taken into consideration. The method adopted by the Office was the recognised method of interpolation. For example, sufficient quotations were not available for Burma rice and Punjab Pissi Wheat since February 1957. Enquiries made showed that amongst the various varieties of rice, rice No. 24 was freely available in the market with maximum price quotations and O. S. wheat was the only variety available freely. Hence these two varieties were substituted for the then existing varieties, in May 1957. While interpolating the basic prices, due allowance was made for the superiority or otherwise of the new varieties. The average price of rice No. 24 from May 1956 to April 1957 worked out at Re. 0-10-3 while that of Burma rice Re. 0-7-4. The rice No. 24 was, thus superior to Burma rice by 39.77 per cent. This superiority was allowed in the basic price and the basic price of rice No. 24 worked out at 10.9375 nP. Similarly average prices of Punjab Pissi and O. S. Wheat for the period May 1956 to April 1957 were Re. 0-9-1 and Re. 0-6-2 respectively. The 30.28 per cent. inferiority was taken into account while working out the basic price of the substituted O. S. wheat which came to 7.8125 nP.

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## APPENDIX VI

*Detailed note on revisions in 1960 Index figures*

(i) *Ghee*.—The prices of Porbunder ghee for 1950 collected from Crawford Market were compared with the retail prices of Pure ghee for the same period collected by the Labour Commissioner's Office. The prices were as follows :—

					Prices collected by Labour Office (1950).	Crawford Market prices (1950).
					Rs. a. p.	Rs. a. p.
January	..	..	..	..	2 15 11	....
February	..	..	..	..	3 0 0	3 4 0
March	..	..	..	..	3 0 3	....
April	..	..	..	..	3 0 11	3 12 0
May	..	..	..	..	3 1 3	3 12 0
June	..	..	..	..	3 0 5	3 12 0
July	..	..	..	..	3 2 9	3 12 0
August	..	..	..	..	3 4 7	3 12 0
September	..	..	..	..	3 4 8	....
October	..	..	..	..	3 2 2	....
November	..	..	..	..	3 0 8	....
December	..	..	..	..	3 0 0	....
Average price					3 1 6	3 10 8
					i.e. 3.09 nP.	i.e. 3.67 nP.

The ratio of the two prices works out to 1.188.

The base price of Ghee (1933-34) which was Re. 0-12-2 i.e. 76 nPs. was adjusted to the above ratio. The adjusted base price came to 90 nPs.



The Crawford Market prices for Porbunder Ghee for 1960 were as follows :—

Month	1960 prices
	Rs. nP.
January .. .. .	8·00
February .. .. .	8·06
March .. .. .	8·25
April .. .. .	8·25
May .. .. .	8·25
June .. .. .	8·25
July .. .. .	8·25
August .. .. .	8·33
September .. .. .	8·25
October .. .. .	8·30
November .. .. .	8·08
December .. .. .	8·12
Average ..	8·20

The 1960 ghee price index, therefore, works out to  $\frac{8·20}{·90} = 911$ .

(ii) *Tea (Ready made).*—According to the information obtained from the Tea Board 100 cups of tea required 5 ounces of tea powder, 1-1/2 seers of sugar, 1-3/4 seers of milk and 3/4th bottle of kerosene. According to the current consumers index prices these major constituents would have cost Rs 1·24 in 1933-34 and Rs. 4·67 in 1960. The cost ratio, thus, works out at  $\frac{4·67}{1·24} = 3·77$ . Hence the revised index for ready made tea would be 377.

(iii) *House Rent.*—The average rent per tenement as revealed by the 1932-33 enquiry was Rs. 6·37. The 1960 enquiry conducted to ascertain the basic price of housing showed Rs. 11·33 as the rent per tenement. Thus the rent index works out to be  $\frac{11·33}{6·37} \times 100 = 178$ .

(iv) *Clothing*.—The Economic Advisor's Index Number for Cotton Manufactures (1952-53=100) for 1960 was 127·5. The average consumers cloth price index for 1952-53 for Bombay City was 367·5. The revised cloth price index for 1960, thus works out at  $\frac{367 \cdot 5 \times 127 \cdot 5}{100} = 468 \cdot 6$  i.e. 469.

The effect of these revisions is to increase the over all index for 1960 by 29 points as shown in the following table :—

Item	Current index (1960)	Revised index (1960)	Increase in price index	Weight of item in group	Increase in index number in the group	Weight of group in total Index	Increase in total index of 1960
Ghee ..	432	911	479	2	9·58	47	5·06
Tea (ready made).	128	377	249	5	12·45	47	6·57
House rent ..	106	178	72	....	....	13	10·52
Clothing ..	391	469	78	....	....	8	7·01
							29·16
							i.e. 29